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Senate Amendments to H.R. 6 - Democrats' Energy Bill

EXECUTIVE SUMMARY

The self-enacted amendment proposed by the Democrats would increase Corporate Average Fuel Economy Standards (CAFÉ), establish a new Renewable Fuel Standard (RFS), establish a Renewable Portfolio Standard (RPS), and provide for new energy efficiency and conservation standards.

Under this legislation the CAFÉ standard will increase to 35 miles per gallon by 2020. Some have expressed concerns over a burdensome RPS that would require utilities to have 15% of their energy from renewable resources by 2020, which would be a difficult standard for most to reach, especially in the south. The RFS, which mandates the use of 36 billion gallons of renewable fuel by 2022, has also raised some concerns since it limits technology and excludes any alternative fuel other than biomass.

The legislation would also raise over $21 billion in revenue, most of which comes through tax increases, such as a repeal of the manufacturing tax deduction for large oil companies and freezing the rate for all others, while extending several tax credits, such as the fuel cells tax credit and renewable electricity tax credit. Furthermore, the bill expands Davis-Bacon requirements.

In a letter to the Speaker, the Director of the National Economic Council noted that "it appears the Congress may produce a bill the President cannot sign."

FLOOR SITUATION

H.R. 6 is being considered on the floor under a closed rule. The rule:

- Provides for consideration of the Senate amendments to H.R. 6.
- Makes in order a motion by the Majority Leader to concur in each of the Senate amendments with the respective amendments printed in the report of the Committee on Rules accompanying the resolution.
- Waives all points of order against consideration of the bill and the amendments except those arising under clause 9 (earmarks) and 10 (PAYGO) of Rule XXI.
- Provides that the Senate amendments of the motion shall be considered as read.

- Provides one hour of debate on the motion equally divided among and controlled by the Majority Leader and the Minority Leader.

- Provides that, notwithstanding the operation of the previous question, the Chair may postpone further consideration of the motion to a time designated by the Speaker.

This legislation expected to be on the House floor on December 6, 2007.

BACKGROUND

The Renewable Fuels, Consumer Protection, and Energy Efficiency Act of 2007 (H.R. 6) passed the House on January 18, 2007 by a vote of 264 to 163 (Roll Call Vote 40) and passed the Senate with an amendment on June 6, 2007 by a vote of 65 to 27. The legislation being considered on the House floor will be the Senate amendment to H.R. 6 with a self enacted amendment by House Democrats.

The House also passed the New Direction for Energy Independence, National Security, and Consumer Protection Act and the Renewable Energy and Energy Conservation Tax Act of 2007 (H.R. 3221) on August 4, 2007 by a vote of 241 to 172 (Roll Call Vote 832).

SUMMARY

Title I

Increased Fuel Economy Standards: The bill would require the National Highway Traffic Safety Administration (NHTSA) to annually increase the nationwide average fleet fuel economy standard for cars and light trucks to achieve a standard of 35 miles per gallon by 2020. For the years 2021 through 2030, the average fleet fuel economy standard for passenger and non-passenger automobiles must be set at the maximum feasible average for each fleet.

Fuel Economy Standards for Work Trucks: The bill requires the Department of Transportation, in consultation with the Department of Energy and the Environmental Protection Agency, to study and implement fuel economy standards for work trucks within three years.

Credit Trading Among Manufacturers: The bill grants the Secretary of Transportation the authority to establish a fuel economy credit trading system allowing manufacturers to buy and sell credits in order to meet the prescribed standards.

Plug-in Electric Drive Vehicles Program: Establishes a competitive grant program for entities (including state and local governments) that carry out at least one project to encourage the use of plug-in electric drive vehicles. For this program, the bill authorizes $90 million each year for Fiscal Years 2008 through 2012, with a minimum of one-third of the appropriated amount each year for state and local governments.

Electric Transportation Projects: Requires the Secretary to establish a program to provide grants for the conduct of qualified electric transportation projects. The bill authorizes $95 million each year for Fiscal Years 2008 through 2013 for this program.

Electric Drive Transportation Technology Education Program: Authorizes "such sums as may be necessary" for the Secretary to establish a nationwide electric drive transportation technology education program, which would provide materials to schools and assist higher education programs (through financial assistance to support and create new degree programs) on the electric drive system. Additionally, the program would include a plug-in hybrid competition for institutions of higher education.

Hybrid and Advanced Diesel Vehicles Sales Program: Requires the Secretary to establish a program to encourage domestic production and sales of efficient hybrid and advanced diesel vehicles. This would include a grant program for automobile manufacturers to encourage domestic production of hybrid and advanced diesel vehicles.

Loan Guarantee Program for the Manufacture of Advanced Vehicle Batteries: Authorizes "such sums as are necessary" for the Secretary to establish a program to provide guarantees of loans by private institutions for the construction of facilities that would manufacture advanced vehicle batteries and battery systems. The recipient of the loan would be required to pay a fee to cover the administrative costs of the loan guarantee.

Requirements for Federal Vehicle Fleets: Prohibits agencies from acquiring a light duty vehicle or medium duty passenger vehicle that is not a low greenhouse gas emitting vehicle, unless there are no vehicles available or the agency can certify ii has taken more cost-effective measures to reduce petroleum consumption. This provision also applies to Members leasing vehicles through their Member Representational account (MRA). Additionally, the bill requires agencies to achieve at least a 20% reduction in annual petroleum consumption and a 10% increase in alternative fuel consumption.

Title II

Renewable Fuel Standard: The bill requires the annual use of a certain volume of renewable fuels in transportation fuel, which would be 15.2 billion gallons in 2012 and 36 billion in 2022. Within the renewable fuels requirement, the bill also establishes volume requirements for usage of advanced biofuel (2 billion gallons in 2012 and 21 billion gallons in 2022), cellulosic biofuel (.5 billion gallons in 2012 and 16 billion gallons in 2022), and biomass-determined diesel (1 billion gallons in 2012). Additionally, renewable fuels produced in facilities that begin operating after enactment of the bill must achieve at least a 20% reduction in lifecycle greenhouse gas emissions relative to gasoline.

> *Note: Some Republicans have expressed concerns that this provision would limit technology, rather than the President's proposal for a technology-neutral, feedstock-neutral increase of alternative fuels to reduce petroleum consumption. This provision excludes any alternative fuels other than biomass, such as coal to liquid, compressed natural gas, electric plug-ins and oil shale.*

Grants for Production of Advanced Biofuels: The bill establishes a grant program at the Department of Energy to encourage production of advanced biofuels. It authorizes $500 million over the 2008-2015 period for the program.

Grants for Biofuel Production Research and Development in Certain States: The bill establishes a grant program for research and development of biofuel production technologies in States with low ethanol production levels. It authorizes $25 million for each fiscal year 2008 through 2010.

Renewable Fuel Infrastructure Grants: The bill establishes a grant program to assist with installing, replacing, or converting fuel storage and pump infrastructure for use with renewable fuel blends. It authorizes $200 million for each fiscal year 2008 through 2014.

Biomass Based Diesel and Biodiesel Labeling: The Federal Trade Commission must issue within 180 days of enactment labeling requirements for diesel fuel pumps regarding percentages of biomass-based diesel and biodiesel in the fuel.

Reporting Requirements: This title of the bill includes numerous reporting requirements, including the following:

- Study of Impact of Renewable Fuel Standard: The Secretary of Energy must commission a study by the National Academy of Sciences assessing the impact of the renewable fuel standard on the following industries: feed grains, livestock, food, forest products, and energy. The Secretary must report the results to Congress within 18 months.

- Environmental and Resource Conservation Impacts: The EPA in consultation with Departments of Agriculture and Energy must report every 3 years on the current and future impact of the renewable fuel standard on the environment, resource conservation, and the growth of cultivated or noxious plants.

- Study of Credits for Use of Renewable Electricity in Electric Vehicles: The EPA must report within 18 months of enactment on the feasibility of a credit exchange system for renewable electricity used in electric vehicles.

- Study of Air Quality Deterioration: The EPA must conduct a study (within 18 months of enactment) and promulgate fuel regulations (within 3 years if needed) to mitigate the adverse impact of renewable fuel standards on air quality.

Title III

Regional Standards: Authorizes the Secretary to establish new standards for furnaces (except boilers), central air conditioners and heat pumps by geographic region (enforced by individual states) that is more restrictive than the national standard enforced by the Department of Energy. Boundaries for the geographic regions will be limited to contiguous states, except for Alaska and Hawaii.

Note: Some Republicans have expressed concerns that this "regional" approach could reduce consumer choice and have adverse impacts on small businesses that install heating and cooling equipment, which would be subject to enforcement actions and lawsuits.

Efficiency Standards and Requirements: The bill establishes new requirements and standards for a range of products, including battery chargers, dehumidifiers, residential clothes washers, dishwashers, refrigerators, freezers, walk-in coolers, walk-in freezers, general purpose electric motors, and fire pump motors, single package vertical air conditioners, general service fluorescent lamps, and incandescent reflector lamps.

Public Building Systems: The bill requires the Administrator of the GSA to report (in addition to current reporting requirements to Congress on buildings to be leased) an estimate of future energy performance of the space to be leased and its use of energy efficient and renewable energy systems. Additionally, the Administrator is required to implement minimum performance requirements requiring energy efficiency and the use of renewable energy for any space to be leased.

Additionally, the Administrator is required to equip all buildings that are altered, acquired or built to have lighting fixtures and bulbs that are energy efficient.

Energy Efficiency Labeling: The bill requires labeling or other disclosure requirements for the energy use of televisions, personal computers, cable or satellite set-top boxes, stand-alone digital video recorder boxes, and personal computer monitors.

Title IV

Renewable Energy Rebate Program: The legislation requires the Secretary to conduct a study to develop a plan for how the rebate programs would be carried out if they were funded and to determine the minimum amount of funding the program would need to receive in order to accomplish the goals of the program.

Note: The Renewable Energy Rebate Program was established under the Energy Policy Act of 2005.

Manufactured Housing: The bill requires the Secretary to develop energy efficiency standards for manufactured housing within four years of the enactment of this legislation.

Commercial High-Performance Green Buildings: Under this legislation, the Secretary shall appoint a Director of Commercial High-Performance Green Buildings who will be responsible for creating an Office and Consortium of the same name. It requires the Director to establish the "Zero Net Energy Commercial Initiative" to reduce the quantity of energy consumed by commercial buildings and achieve the development of zero net energy commercial buildings. It authorizes $20 million for fiscal year 2008 and a total of $1.32 billion for fiscal year 2008 through 2018.

Energy Reduction Goals for Federal Buildings: The bill requires Federal buildings to reduce their energy consumption by 30 percent by 2015. In addition, it establishes an Office of Federal High-Performance Green Buildings within the General Services Administration. Beginning three years after the date of enactment, it prohibits Federal agencies from entering into a lease in a building that has not earned the Energy Star label in the most recent year.

Recoverable Waste Energy Sources: The bill requires the Administrator of the Environmental Protection Agency to establish a Registry of Recoverable Waste Energy Sources which will include data on the total quantities of potentially recoverable waste energy from sources at the sites, nationally, and by State.

> *Note: Recoverable waste energy is defined as waste energy from which electricity or useful thermal energy may be recovered through modification of an existing facility or addition of a new facility.*

Energy Intensive Industries: The bill compels the Secretary to establish a program in cooperation with energy-intensive industries and related trade associations (i.e. materials manufacturing, food processing, and data processing centers) to develop new materials processes, technologies, and techniques to optimize energy efficiency. It establishes a competitive grant program for innovative research and development. This bill authorizes $184 million for fiscal year 2008 and $1.076 billion over a period of five years to carry out this section.

Healthy High-Performance Schools: The bill requires the EPA Administrator to consult with the Secretaries of Education and Health and Human Services to outline model guidelines for site selection of school facilities. It also authorizes $200,000 to study indoor environmental quality in schools.

Demonstration Projects: The bill authorizes one demonstration project per year in a Federal building selected by the Federal Director, and no fewer than four demonstration projects at four universities that are selected by the Commercial Director. This bill authorizes $10 million to be appropriated for the period of fiscal years 2008 to 2012.

Title V

Capitol Complex: The bill requires the Architect of the Capitol to conduct a feasibility study within six months on a photovoltaic roof for the Rayburn and Hart office buildings and authorizes $500,000 for the study. Additionally, the bill requires the Architect to operate the chiller plant and steam boilers at the Capitol Power Plant in the most energy efficient manner possible in order to limit carbon emissions and operating costs.

The bill also authorizes $640,000 for the construction of an E-85 fuel tank and pumping system at or near the Capitol Grounds Fuel Station.

The bill requires a study on the feasibility of capturing, storing and using carbon dioxide emissions from the Capitol Power Plant and, if feasible, authorizes demonstration projects for those purposes.

Energy Efficiency Contracts: The bill requires contract negotiation and management personnel to be trained (beginning within one year) in order to negotiate energy savings contracts, conclude effective contracts for energy efficient services and review contracts for potential energy efficiency opportunities. Additionally, the bill requires the Secretary to conduct a study on the potential for the use of energy savings performance contracts to reduce energy consumption.

Government Agencies: The bill authorizes $30 million for the GSA to install a photovoltaic system for the headquarters building of the Department of Energy.

The bill also prohibits the Coast Guard from purchasing or installing a general service incandescent lamp for any building (with several exceptions).

Additionally, the bill requires agencies to purchase products with standby power functions that are not more than one watt of standby power or (if that is not available) the lowest wattage of standby power.

The bill prohibits the procurement of alternative or synthetic fuels unless the lifecycle greenhouse gas emissions are less than the equivalent conventional fuel produced from petroleum sources.

The bill requires the Office of Management and Budget to annually submit government efficiency reports to Congress about agencies.

National Action Plan for Demand Response: The bill authorizes $10 million for each of the Fiscal Years 2008 through 2010 for the Federal Energy Regulatory Commission to conduct an assessment demand response and implement a National Action Plan on Demand Response.

Utility Energy Efficiency Programs: The bill requires the electric utilities and natural gas utilities to integrate energy efficiency resources into planning processes and adopt policies that "establish energy efficiency as a priority resource." The bill also requires rates to be aligned with the deployment of cost-effective energy efficiency.

Energy Efficiency and Conservation Block Grants: The bill requires the Secretary to establish a block grant program for entities to implement strategies that would reduce fossil fuel emissions, reduce energy use, and improve energy efficiency. The funds would be distributed to: local government (68%), state (28%), Indian tribes (2%), and competitive grants (2%). The bill authorizes $2 billion for these grants.

Title VI

Solar Energy Research and Development: The bill authorizes several research and development programs relating to solar energy, including: a program to provide lower cost and more viable thermal energy storage technologies ($43 million) ; a program in the demonstration of commercial application of direct solar renewable energy sources to provide alternatives to traditional power generation for lighting and illumination ($17.5 million); and a program to promote less costly and more reliable solar-powered air conditioning ($12.5 million).

The bill also authorizes $50 million for the Secretary to establish a grant program to create and strengthen solar industry workforce training and internship programs in installation, operation and maintenance of solar energy products. The bill also authorizes $220 million for a competitive grant program for states to demonstrate advanced photovoltaic technology.

<u>Geothermal Energy Research and Development</u>: The bill requires the Secretary to support research and development programs to develop hydrothermal resource tools and advanced technologies for siting and exploratory drilling for undiscovered resources. The bill also requires the Secretary to establish research and development programs to develop: components and systems capable of withstanding extreme geothermal environments, enhanced geothermal systems technologies, and geothermal energy production for oil and gas fields.

The bill requires the Secretary to award a grant to an institution of higher education in order to establish a Center for Geothermal Technology Transfer. Additionally, the bill requires a grant to be established for a geothermal-powered energy generation facility on an institution's campus.

The bill authorizes $90 million for each of the Fiscal Years 2008 through 2012 in order to fund these programs.

> *Note: Some Republicans have expressed concerns that research and development of geothermal energy is limited in the United States because of the amount of land that cannot be used for this activity.*

<u>Marine and Hydrokinetic Research and Development</u>: The bill would establish a research and development program to expand marine and hydrokinetic renewable energy production. The bill also requires the Secretary to award grants to institutions of higher education for the establishment of one or more National Marine Renewable Energy Research, Development and Demonstration Centers.

The bill authorizes $50 million for each of the Fiscal Years 2008 through 2012 in order to fund these programs.

<u>Energy Storage Research and Development</u>: The bill establishes a research and development program in energy storage systems for electric drive vehicles, stationary applications, and electricity transmission and distribution. The bill also requires the establishment of an Energy Storage Council within 90 days. Furthermore, the Secretary is required to conduct a basic research program and applied research program on energy storage systems. Additionally, the Secretary is required to establish at least four energy storage research centers.

<u>Additional Research and Development</u>: The bill requires the Secretary to establish a research and development program into light weight materials that could be used to reduce the weight of vehicles and authorizes $80 million for that endeavor. Additionally, the bill authorizes a demonstration program on the cost-effectiveness of advanced insulation ($40 million).

The Secretary is also required to award cash prizes to advance the research, development, demonstration and commercial application of hydrogen energy technologies. The categories for prizes will be hydrogen production, hydrogen storage, hydrogen distribution, and hydrogen utilization. Awards would range from $10 million to $20 million.

> *Note: Identical provisions were passed by a vote of 408 to 8, when the House considered the H Prize Act of 2007 (H.R. 632). Similar legislation was also passed during the 109th Congress.*

Bright Tomorrow Lighting Prizes are also established in this bill in order to provide cash prizes for solid state lighting.

Title VII

Large-scale Carbon Dioxide Sequestration Testing: The bill compels the Secretary to conduct not less than seven sequestration tests of more than 1 million tons of carbon dioxide from industrial sources. It requires the Secretary to give preference to proposals from partnerships among industrial, academic, and government entities when awarding competitive grants. The bill authorizes appropriations of $1.2 billion for fiscal years 2008 through 2012 for this demonstration program.

> *Note: This provision requires that local prevailing wages (Davis-Bacon) be paid to workers in all construction projects funded by the grants under this section.*

Carbon Capture Demonstration Program: This provision allows the Secretary to make awards for the portion of the project that carries out the large-scale capture of carbon dioxide from industrial sources, provides for the transportation and injection of carbon dioxide, and incorporates measurement, monitoring and validation. It authorizes $200 million per year for fiscal years 2009 through 2013.

National Academy of Sciences: The Secretary shall work with the National Academy of Sciences to undertake a study that defines an interdisciplinary program that will support the Nation’s capability to capture and sequester carbon dioxide. It also establishes a competitive grant program through which colleges and universities can apply for four year grants for salary and start up costs for newly designated faculty positions in an integrated geologic carbon sequestration science program and internships for graduate students in the same field.

Public and Environmental Safety: The bill authorizes $5 million for each fiscal year for the EPA Administrator to conduct a research program to address public health, safety and environmental impacts of the capture, injection, and sequestration process.

Sequestration on Public Land: The legislation requires the Secretary of the Interior to submit a report to Congress on a recommended framework for managing geological carbon sequestration activities on public land.

Note: This title focuses on carbon capture and sequestration and does not provide funding for research and development of coal to liquid fuel technologies, nor does it provide funding to examine storage potential of domestic coal formations.

Title VIII

National Media Campaign: The bill requires the Secretary of Energy to develop and carry out a national media campaign (through competitively bid contracts) to increase energy efficiency, promote national security through energy efficiency, and decrease U.S. oil consumption. The bill authorizes $5 million for each fiscal year 2008 through 2012.

Renewable Energy Deployment: The bill establishes a renewable energy construction grant program to develop renewable energy projects in Alaska. It authorizes such sums as are necessary to carry out the provision.

Note: This provision requires that local prevailing wages (Davis-Bacon) be paid to workers in all construction projects funded by the grants under this section.

Prohibitions on Market Manipulation and False Information: The bill prohibits any individual from directly or indirectly manipulating oil, gasoline, or petroleum markets in contravention of rules and regulations intended to protect public interest and consumers. It also prohibits individuals from knowingly misleading federal agencies with false information regarding oil, gas, or petroleum markets, if the information was required by law to be reported. The bill establishes a civil penalty of not more than $1 million for violations, in addition to any penalties applicable under the Federal Trade Commission Act.

Title IX

U.S. Assistance for Developing Countries: The bill requires that the United States Agency for International Development support policies and programs that promote clean and efficient energy technologies. The bill authorizes $200 million for each fiscal year 2008 through 2012.

U.S. Exports and Outreach Programs for India, China, and Other Countries: The bill directs the Secretary of Commerce to expand or create a corps of the Foreign Commercial Service officers with the purpose of promoting United States exports in clean and efficient energy technologies and build the capacity of government officials in India, China, and any other countries the Secretary of Commerce deems appropriate. The bill authorizes such sums as are necessary for each fiscal year 2008 through 2012.

International Clean Energy Foundation: The bill establishes a foundation within the executive branch to focus on the long-term foreign policy and energy security goals of reducing global greenhouse gas emissions by utilizing grants to promote clean and efficient energy use projects outside the U.S. and harnessing global expertise through partnerships with foreign governments and private sector entities. The bill authorizes $20 million for each fiscal year 2008 through 2012.

Title X

Energy Efficiency and Renewable Energy Worker Training Program: The bill requires the Secretary of Labor to create a grant program for an energy efficiency and renewable energy worker training program. It authorizes $125 million for each fiscal year to carry out these activities. The program incorporates numerous facets, including:

- National Energy Training Partnership Grants: The Secretary must award grants on a competitive basis to eligible entities to enable such entities to carry out training that leads to economic self-sufficiency and to develop an energy efficiency and renewable energy industries workforce.

- Pathways out of Poverty Demonstration Program: The Secretary must award grants on a competitive basis to carry out training that leads to economic self-sufficiency. The program is to target low income adults and youths who are or will be engaged in activities related to energy efficiency and renewable energy industries.

- State Labor Market Research, Information, and Labor Exchange Research Program: The Secretary must award competitive grants to States to enable the States to administer labor market and labor exchange information programs.

- State Energy Training Partnership Program: The bill provides Department of Labor grants to States to administer renewable energy and energy efficiency workforce development programs.

Title XI

Office of Climate Change: The bill authorizes “such sums as may be necessary” for the establishment of an Office of Climate Change and Environment at the Department of Transportation in order to plan, coordinate and implement department-wide research to mitigate the effects of climate change and department-wide research to address the impacts of climate change on transportation systems.

Locomotive Grant Program: The bill authorizes $10 million for the Secretary of Transportation to establish a pilot program for making grants to railroad carriers, local governments and state governments for purchasing hybrid or energy efficient locomotives and demonstrating the extent to which they increase fuel economy, reduce emissions and lower cost of operation.

The Secretary of Transportation is also required to establish a program for making capital grants to railroads for the purpose of improving tracks, facilitate greater use of railroad for freight, and reduce less efficient modes of transportation for such shipments.

> *Note: This provision would expand Davis-Bacon Act coverage (prevailing wage) for contractors and subcontractors performing work provided by the capital grants.*

Short Sea Transportation Program: The bill also requires the establishment of a short sea transportation program in order to mitigate landside congestion.

Title XII

Small Business Sustainability Initiative: The bill establishes a program to provide energy efficiency assistance to small businesses through small business development centers. These centers would provide information and resources, training, and support. The bill authorizes such sums as are necessary to provide grants (between $100,000 and $300,000 in each fiscal year) for the small business development centers and to carry out this section.

Renewable Fuel Capital Investment Pilot Program: The bill creates a pilot program to promote the production of renewable energy by encouraging venture capital investments in smaller enterprises. The bill authorizes $15 million in operational assistance grants for fiscal years 2008 and 2009.

Title XIII

Smart Grid: The bill authorizes "such sums as are necessary" for the Secretary to establish a Smart Grid Advisory Committee and a Smart Grid Task Force within 90 days.

The bill also requires a research and development program, which would include developing technologies to measure peak load reductions and energy efficiency savings from smart metering, testing new reliability technologies, and investigating a transition to time of use and real-time electricity pricing. The Secretary would also be required to carry out smart grid demonstration projects in up to five electricity control areas. These programs would be authorized at $100 million for each of the Fiscal Years 2008 through 2012.

The bill also authorizes "such sums as are necessary" to provide reimbursement for up to one-fifth of qualifying smart grid investments. Additionally, the bill requires states to consider requiring that electric utilities consider an investment in a qualified smart grid system prior to undertaking investments into non-advanced grid technologies.

Title XIV

Renewable Portfolio Standard (RPS): The bill requires electric utilities to provide an increasing annual percentage of their electricity using renewable energy resources. The required percentage would start at 2.75 percent in 2010 and crease to 15 percent by the year 2020. It would remain at 20 percent through 2039.

Under the bill, The Secretary of Energy must establish a renewable energy credits system that allows energy producers the ability to trade credits in order to meet the mandated standards. The bill establishes civil penalties for electric utilities that fail to meet the requirements.

The bill directs the Department of Energy to contract with the National Academy of Sciences to conduct an evaluation study of the program within 8 years.

Note: According to the Administration's letter to Speaker Pelosi (12/03/07), RPS "would have several adverse effects. A Federal RPS that is unfair in its application, is overly prescriptive in its definition by excluding many low-carbon technologies, and does not allow states to opt out, would hurt consumers and undercut state decisions."

Title XV (Tax Provisions)
The bill extends current and creates new tax credits and other incentives to promote energy efficiency and conservation. The cost is offset by raising taxes on oil and gas companies as well as extending the FUTA surtax and increasing reporting requirements on brokers.

Energy Tax Credits: The bill modifies and/or extends a number of energy-related tax credits including:

- Renewable energy tax credit (cost – $6.6 billion over 10 years)
- Solar energy and fuel cell investment tax credit (cost - $602 million over 10 years)
- Residential energy-efficient property credit (cost - $317 million over 10 years)
- Cellulosic alcohol production tax credit (cost - $482 million over 10 years)
- Biodiesel production and renewable diesel tax credits (cost - $216 million over 10 years)
- Tax credits for energy-efficient existing homes (cost - $402 million over 10 years)
- Tax benefit for energy-efficient commercial buildings (cost - $901 million over 10 years)
- Tax credit for existing energy-efficient appliances
- Tax credits for the creation of coal electricity and gasification projects that demonstrate the greatest potential for carbon capture and sequestration (CCS) technology (cost - $1.8 billion over 10 years)

New Energy Tax Provisions

- Plug-in electric vehicle tax credit (cost - $992 million over 10 years)
- New York Liberty Zone tax benefits (cost - $1.1 billion over 10 years)
- Extending transportation fringe benefits to those who commute by bicycle (cost - $10 million over 10 years)
- Faster depreciation of "smart meters" (cost $1.2 billion over 10 years)
- Exclusion from excise taxes the value of idling reduction units for heavy trucks (cost - $992 million over 10 years)
- Tax credit for production of cellulosic ethanol (cost – $482 million over 10 years)

Clean Renewable Energy Bonds: The bill authorizes $2 billion for additional bonds to finance tax-exempt facilities that generate electricity from clean renewable energy sources.

Qualified Energy and Forestry Conservation Bonds: The bill creates two new categories of tax credit bonds: 1) bonds for green community initiatives to reduce greenhouse gas emissions; and 2) bonds for forestry projects to acquire land for conservation purposes.

Denial of Manufacturing Deductions for Certain Oil Companies: The bill would limit aspects of the manufacturing deduction (section 199 of the tax code) for exploration, production and refining of oil and natural gas, which was created in 2004 to help encourage the preservation and expansion of manufacturing jobs in the United States. Specifically, the provision would repeal the ability of the biggest oil companies to claim the deduction and prevent smaller oil and gas companies from getting the full benefit of the deduction. (estimated revenue increase - $9.99 billion over 10 years)

> *Note: Some have expressed concerns that this provision dis-incentivizes domestic production and places U.S. producers and refiners at a competitive disadvantage.*

The bill requires that major oil companies (6 in total) that are currently required to amortize (depreciate an expense evenly over a duration of time) their geological and geophysical costs over a period of 5 years will have their amortization period extended to 7 years. (estimated revenue increase - $103 million over 10 years)

> *Note: A similar provision was included in H.R. 6 and H.R. 2776. Some have expressed concerns that this provision will reduce incentives for U.S. companies to expand their energy exploration.*

The bill eliminates the distinction between Foreign Oil and Gas Extraction Income (FOGEI) and Foreign Oil Related Income (FORI), thereby requiring all foreign-based income for oil and gas companies to be reclassified as FOGEI, which will result in smaller tax credits for companies that have non-U.S. oil and gas production income. (estimated revenue increase - $3.2 billion over 10 years)

> *Note: This provision is a scaled back version of what was included in H.R. 6 and H.R. 2776. Some have expressed concerns with the impact of the tax increase on U.S. companies, including the impact on U.S. jobs supporting foreign operations.*

<u>Reporting Requirements for Brokers on Stock Sales</u>: The bill requires brokers to report transactions involving publicly trade securities. (estimated revenue increase - $4.1 billion over 10 years)

<u>Federal Unemployment Tax Act Surtax (FUTA Surtax)</u>: The bill extends the 0.2 percent FUTA surtax through 2008. The FUTA surtax is a payroll tax levied on employers covering the first $7,000 in wages for each employee, with the revenues used to support Federal responsibilities under the unemployment insurance program. The surtax is currently scheduled to expire at the end of calendar year 2007. (estimated revenue increase - $1.4 billion over 10 years)

<u>Reduction in Ethanol Tax credit:</u> The bill would reduce to 46 cents (from the current law level of 51 cents) the ethanol tax credit. (estimated revenue increase - $854 million over 10 years)

<u>Coal Excise Tax extension:</u> The bill extends the current law tax on extracted coal. The tax rates are $1.10 per ton of coal from underground mines and 55 cents per ton of surface mined coal. The provision would extend the tax at current rates through 2017 and would create new procedures under which certain coal producers and exporters may claim a refund of excise taxes imposed on coal exported from the United States. (estimated revenue increase - $842 million over 10 years)

STAFF CONTACT
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